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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 15, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR OPTION TO RENEW LEASE NO. 71352
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
1150 WEST AVENUE "J," LANCASTER
(FIFTH) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease renewal for 18,410 square feet of office space and 96 parking spaces located at 1150 West Avenue "J," Lancaster for the Department of Children and Family Services (DCFS).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the lease renewal is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.
2. Exercise the option to renew the lease for a five-year term with 1150 West Limited Liability Company for 18,410 rentable square feet of office space, located at 1150 West Avenue "J," Lancaster, for DCFS at an annual first year base rent not to exceed \$244,437. The rental cost is 69 percent subvented by State and Federal funds and 31 percent net County cost.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of this lease renewal will provide DCFS continued occupancy of this space, which houses staff of the Lancaster regional office comprised of an Adoption Unit, Revenue Management Unit, and other programs designed to enhance service to children and families including family group, Team Decision, and Mental Health Children's Services for Foster Care children in the Lancaster/Antelope Valley area.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we provide organizational effectiveness and ensure that the service delivery systems are efficient and goal oriented (Goal 3) and that we strengthen the County's fiscal capacity (Goal 4). In this case, the space supports these goals with a strategically located office with appropriate workspace for staff. In addition, we are housing a subvented program which will support the County's fiscal goals. Compliance with the County's Strategic Asset Management principals is further (Strategy 3). This proposed lease renewal complies with the Strategic Asset Management Principles, as outlined in Attachment A.

FISCAL IMPACT/FINANCING

This lease contains a five-year renewal option. The base rental cost for the first-year split-service lease shall not exceed \$244,437 based on the terms and conditions in the five-year lease option, which limits annual Consumer Price Index (CPI) rental adjustments to no more than 3 percent a year of the base rent. Additionally, the County has reimbursed the landlord \$10,454 in annual operating expenses, except utilities and property taxes, which are separately paid, over and above the base rent for the year ending 2007 and will be responsible for these annual costs for each year of the lease.

1150 WEST AVE "J" LANCASTER	EXISTING LEASE NO. 71352	FIVE-YEAR LEASE OPTION	CHANGE
Area (Square feet)	18,410	18,410	None
Term	04/21/1998 - 08/04/2008	08/05/2008 – 08/04/2013	+ 5 years
Annual Base Rent	\$239,133	\$244,437	+ \$5,304
Parking (included in base rent)	96 parking spaces	96 parking spaces	None
Cancellation	None	None	None
Option to Renew	One five-year option.	Five-year option exercised	No options remain
Rental Adjustment	Base Rent subject to annual CPI adjustment to a maximum of 3 percent of the Base Rent.	Same	None

Sufficient funding for the proposed five-year extension is included in the 2008-09 Rent Expense budget. DCFS has sufficient funds in their 2008-09 operating budget to cover the projected lease costs. Sixty-nine percent of the rental cost will be subvned by the State and Federal Governments and 31 percent is NCC.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County entered into this split-service lease in April 1998 for 18,410 square feet of office space. The County is responsible for all costs associated with maintenance, utilities, property tax, and insurance. The Landlord is reimbursed annually for these costs associated with the property.

The lease renewal option requires Board approval to exercise. On May 29, 2008, not less than 60 days prior to the lease expiration, as required by the lease, notice of the County's intention to exercise its five-year renewal option was given by the Chief Executive Office. The notice to the Landlord indicated that the actual exercise is only on the approval of the Board (as is also provided by the lease), and that action is projected to be on the Board agenda of July 29, 2008. However, the landlord has now claimed that the County failed to timely exercise its right to renew and demanded that the County commence negotiations for a new lease. The CEO and County Counsel believe that proper notice has been given as required by the terms of the lease and therefore the County is legally entitled to proceed with the exercise of the option.

CEO Real Estate staff surveyed the Lancaster area for available space as specified by DCFS. Staff was able to identify one site within the surveyed area that could accommodate this requirement, but an analysis of the five-year renewal and the cost of relocation and improvements to a new site demonstrated that remaining at the site for the next five years was more economical than moving to another facility.

DCFS has no budgeted funding available in the immediate future to cover relocation and Tenant Improvement (TI). An analysis was completed in collaboration with DCFS, to compare the costs of relocating or remaining at the current location. The analysis and the projected TI costs along with a competitive renewal option existing in the current lease demonstrated that DCFS could remain at the existing facility with a minimum budget increase.

The five-year lease renewal recommendation is the most economically viable option for DCFS at this time. Attachment B shows all County-owned and leased facilities within the surrounding Lancaster/Antelope Valley area and there are no County-owned or leased facilities available for the programs.

Based upon a market survey of similar properties in the Lancaster/Antelope Valley area, staff has determined that the base rental range for similar properties is between \$15 and \$22 per square foot per year split-service gross. Because of the existing lease terms, the \$13.27 base annual rent of the proposed lease renewal represents a rate below market.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The Chief Executive Office (CEO) has made an initial study of environmental factors and has concluded that this project is exempt from CEQA pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease renewal will provide the necessary office space for this County requirement. DCFS concurs with the proposed lease renewal.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, 4th Floor, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:TS:hd

Attachments (2)

c: County Counsel
Department of Children and Family Services

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
1150 WEST AVENUE "J," LANCASTER
Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ² 157 sq. ft. per person.	X		
2.	<u>Capital</u>				
	A	Should this program be in leased space to maximize State/Federal funding?	X		
	B	If not, is this a long term County program?			X
	C	Is it a substantial net County cost (NCC) program? 69% State and Federal Funding 31% NCC.		X	
	D	If yes to 2 B or C; is it a capital lease or an operating lease with an option to buy?		X	
	E	If no, are there any suitable County-owned facilities available?		X	
	F	If yes, why is lease being recommended over occupancy in County-owned space?			X
	G	Is Building Description Report attached as Attachment B?	X		
	H	Was build-to-suit or capital project considered? The existing lease terms are lower than market rate and the program is 69% state and federally funded offsetting a portion of the monthly rental costs.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. <u>X</u> No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. ____ The Program is being co-located.			
	E	Is lease a full service lease? ² Split-Service lease, County is responsible for reimbursing landlord for all cost associated with the utilities, maintenance and property taxes of the building.		X	
	F	Has growth projection been considered in space request? This is an exercise of an option to renew and DCFS has determined that due to budget constraints it is financially prudent to exercise its option at the below market rental rate.		X	
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not?				

Attachment B

**SPACE SEARCH – WITHIN SERVICE AREA OF DCFS CLIENT PARTICIPANTS
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
1150 WEST AVENUE “J,” LANCASTER**

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAIL
0059	PW Road –Div #551 Maintenance	4859 W Ave L-12 Quartz Hill	1,2501	1,125	OWNED	NONE
D620	Public Library-Quartz Hill	42018 N 50 Th St. W., Quartz Hill	3,530	3,291	LEASED	NONE
B636	DPSS Lancaster Office Center	43770 N 15 th Street W, Lancaster	4,020	3,901	LEASED	NONE
A079	Assessor's Regional Office	251 E Avenue K-6, Lancaster	15,338	13,712	LEASED	NONE
A035	Board of Supervisors 5 th District Field Office	1113 W 4 th Street W, Lancaster	1,241	1,164	LEASED	NONE
X511	Antelope Valley Courthouse	42011 4 th St, W, Lancaster	389,000	267,610	FINANCED	NONE
A008	Antelope Valley Service Center	335 A E Avenue K-6, Lancaster	51,000	242,803	LEASED	NONE
A433	Antelope Valley Service Center B	349 A-B E Avenue K-6, Lancaster	51,000	33,932	LEASED	NONE
A492	DPSS Lancaster IHSS Annex	321 E Avenue K-10r., Lancaster	22,400	20,800	LEASED	NONE
A192	Probation –Antelope Valley Area	321 E Avenue K-4, Lancaster	6,400	6,000	LEASED	NONE
X495	PW Waterworks North Maintenance Area	260 E Avenue K-8 Between K-8 and K-10, Lancaster	13,200	11,150	OWNED	NONE